

United States Treasury definitive bearer bond.

CUBES refers to the Treasury's Coupons Under Book-Entry Safekeeping program. A CUBES security is a definitive coupon detached from a United States Treasury bond and held in CUBES.

Depository institution means an entity described in section 19(b) of the Federal Reserve Act (12 U.S.C. 461(b)).

Federal Reserve Bank or Reserve Bank means a Federal Reserve Bank or Branch.

Non-callable refers to a United States Treasury bond not subject to call before maturity. Non-callable coupons are coupons associated with a non-callable bond, and coupons associated with a callable bond that are due on or before the date upon which the callable bond is subject to call.

Non-transferable means that the ownership of a security held in BECCS or CUBES may not be transferred, pursuant to the provisions of section 358.4 of this part.

Transferable means that the ownership of a security held in BECCS or CUBES may be transferred, pursuant to the provisions of § 358.4 of this part.

§ 358.2 Governing regulations.

CUBES and BECCS securities are deemed to be securities for purposes of, and upon their conversion to book-entry are governed by, subparts A, B, and D of part 357 of this chapter. Notwithstanding the provisions of part 357 of this chapter, certain CUBES and BECCS securities are non-transferable, pursuant to § 358.4 of this part.

§ 358.3 Securities not eligible for conversion.

(a) Detached bearer coupons and bearer corpora that are submitted within 30 days of their maturity date or, if the call provision has been invoked, within 30 days of their call date, will not be accepted for conversion.

(b) Bearer corpora with a maturity date on or before November 15, 1998, will not be accepted for conversion.

§ 358.4 Transferability.

In order for a callable corpus to be eligible for conversion to a transferable BECCS security all associated callable

coupons must be submitted with the corpus. These callable coupons will be linked with the corpus within BECCS when converted. Once the coupons are linked to the corpus, they may not be separately transferred. If all of the callable coupons associated with the corpus are not submitted with the corpus, the corpus will be converted to a non-transferable BECCS security, and the remaining callable coupons submitted with the corpus will be converted to individual non-transferable CUBES securities. A corpus that is not subject to call will be converted to a transferable BECCS security. Non-callable coupons will be converted to transferable CUBES securities.

§ 358.5 Submissions of detached bearer coupons and bearer corpora.

(a) Detached bearer coupons and bearer corpora must be submitted to the Federal Reserve Bank of New York in accordance with Federal Reserve Bank of New York procedures and must be accompanied by an approved form, executed by an authorized officer of the submitting depository institution.

(b) Until verified by the Department, submitted detached bearer coupons and bearer corpora will be subject to rejection or adjustment.

§ 358.6 Delivery of detached bearer coupons and bearer corpora.

The depository institution shall bear the expense and assume the risk of loss associated with the delivery of the detached bearer coupons and bearer corpora to the Federal Reserve Bank of New York. The United States shall bear the expense and assume the risk of loss associated with the delivery of the submitted detached bearer coupons and bearer corpora between the Federal Reserve Bank of New York and the Department. The depository institution shall bear the expense and assume the risk of loss associated with the delivery of any detached bearer coupons and bearer corpora that are returned to the depository institution.

§ 358.7 Fees for conversion transactions.

The depository institution will pay a fee for each CUBES and BECCS conversion transaction processed. The fees for

conversion transactions will be published in the FEDERAL REGISTER prior to the start of the initial conversion period. A corpus subject to call that is submitted with all of its associated callable coupons will be considered a single conversion transaction and will be charged a single fee. If one or more of the associated callable coupons are not submitted with the corpus, the conversion of each callable coupon submitted and the corpus will be considered a separate conversion transaction and will be charged a separate fee. Each non-callable coupon submitted will be considered a separate conversion transaction and will be charged a separate fee. The fee for any conversion transaction that is rejected by the Department for any reason is non-refundable.

§ 358.8 Crediting of amounts less than one dollar.

Upon the conversion of coupons to CUBES, amounts of less than one dollar in the aggregate per CUBES CUSIP will not be credited to the account of the depository institution.

§ 358.9 Authority of depository institution.

(a) Submission of detached bearer coupons and bearer corpora to the Federal Reserve Bank of New York for conversion to book-entry accounts under the CUBES and BECCS programs constitutes a representation by the depository institution that it has authority to convert the coupons and corpora to book-entry form.

(b) Neither the Department nor the Federal Reserve Bank of New York shall be liable if the depository institution has no authority to convert the detached bearer coupons and bearer corpora to book-entry form or to take other actions in respect to book-entry accounts in CUBES and BECCS.

(c) Neither the Department nor the Federal Reserve Bank of New York shall be liable for any loss incurred by the depository institution which may result from the failure of the depository institution to properly follow the procedures provided by the Federal Reserve Bank of New York.

§ 358.10 Adjustments to or rejection of securities.

In the event that the Department makes an adjustment to or rejects all or part of the submitted securities, the Federal Reserve Bank of New York will instruct the depository institution to transfer CUBES or BECCS securities of the same payment date and face value from the depository institution's account to the Federal Reserve Bank of New York. If no such CUBES or BECCS securities exist in the depository institution's account, the Federal Reserve Bank of New York will instruct the depository institution as to how an adjustment will be made. In the event that the depository institution fails to comply with the instructions of the Federal Reserve Bank of New York within five (5) business days of receipt of the instructions, the Federal Reserve Bank of New York reserves the right to debit the master account of the depository institution for the face value of the rejected detached bearer coupons and bearer corpora. By the submission of the detached bearer coupons and bearer corpora, the depository institution is deemed to agree to this debit.

§ 358.11 Audit and verification of securities.

After processing and initial verification, the Federal Reserve Bank of New York will credit the securities accepted to the depository institution's book-entry account, establishing a securities entitlement in TRADES pursuant to 31 CFR part 357 subpart B. Final verification by the Department will be accomplished within ten (10) business days of receipt of the detached bearer coupons and bearer corpora at the Department. The depository institution shall not trade in the securities prior to final verification. If at any time after this ten (10) day period the Department determines that the security was improperly credited to the CUBES or BECCS account of the depository institution, such as in the case of a previously undetected counterfeit security, the Department reserves the right to adjust the CUBES or BECCS account.